

3/23/79

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THE WHITE HOUSE
WASHINGTON

March 22, 1979

Stu
J

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Regulatory Reform Message

I am attaching the proposed Message to Congress, reflecting the decisions you made earlier this year. It has been cleared by the speechwriters.

This Message will transmit our proposed Regulation Reform Act of 1979.

This bill makes the most far-reaching changes in the regulatory process in decades. It mandates economic analysis of new rules; selection of the least burdensome approach to regulating, unless the agency can explain why a more burdensome alternative is needed; elimination of old, outmoded rules; better planning and coordination; and public participation. It streamlines procedures to get rid of needless legal formality and delay.

In addition, the Message lays out, for the first time, your overall regulatory reform program. It describes the gains we have already achieved, such as Executive Order 12044, elimination of OSHA's nitpicking rules, reduction of Federal paperwork, and Airline Deregulation. And it describes the legislative and executive initiatives to be pursued in 1979. The Message lays out a major program that will be an important focus of public attention throughout the year.

There is substantial press interest in this initiative, and there will be substantial support. Groups like the Business Roundtable and Common Cause will probably endorse it. There will be some criticism from labor and environmental groups, but at least some of them recognize that this is a necessary and responsible alternative to reactionary anti-regulatory bills. The overall reaction will be that for the first time a President is really trying to manage the regulatory process.

Congressional reaction is expected to be extremely positive and action will be prompt. Senator Ribicoff has scheduled hearings at which our witnesses (Schultze, Costle, OMB) will lead off on April 6. Congressman Danielson also expects to start hearings in April and to push the bill aggressively.

I strongly urge you to make this initiative the focus of your appearance before the broadcasters on Sunday. Bernie Aronson has written an excellent 10 minute speech which will ensure that you are visibly identified with the issue. The audience will be enthusiastic. (As broadcasters, they are all regulated, and they are strongly supporting regulatory reform.)

Mr. President:

This will be the most important anti-regulation thing ^{we} will do in your first term. It fits in exactly with the themes you're stressing. The audience (NAB) is strongly anti-regulation. There is no reason this shouldn't be your opening statement there. This stresses you're making government work.

Stu

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Stu - It's a good message, but for the public it's "more of the same". Sunset is in trouble. & The other proposals have already been made or are difficult to understand.
JC.

THE WHITE HOUSE
WASHINGTON

For AF breakfast 3-23-79

- > MOU w Israel
- > Nelson / Lucey
- > Tachisman = w Turkey =
- > Claims re PRC
- > A. d re GOI & Eg
- > SALT = telemetry @ summit
- > Turkey - #150mil = w
- > Oil / Amb
- > Arab ministers & Baghdad
- > Arafat's ?'s
- > Namibia = mon SWAPO infmt Nam
- > Embassy - Iran, Syria, etc
- > Pakistan nuclear - memo
- > UN in Sinai
- > Set in Afghanistan

THE WHITE HOUSE
WASHINGTON

Energy mkt -

Pat - 4/77 - orig support,
credibility - then diminished
now minimal credibility

Stu \$3/bbl → \$6/bbl excise
tax

unfeasible

How to minimize inflation?
 → { Rev → Soc Sec
 { Rebate them utilities re oil
 consumed

Securance based tax. difficult

No total decontrol

Decontrol, then tax, ok & liberals

Is decontrol essential?

Two options

both Turn on US technology - financed
by excess profits tax

1. Phased decontrol re OPEC

2. decontrol re "incentive" #16
→ 12/83

THE WHITE HOUSE
WASHINGTON

*1st option \$15 bill unfaxed
profits re old oil*

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THE WHITE HOUSE

WASHINGTON

23 Mar 79

Zbig Brzezinski

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

Tim Kraft

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY


	VICE PRESIDENT
	EIZENSTAT
	JORDAN
✓	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
✓	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE


THE SECRETARY OF STATE
WASHINGTON

March 22, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: Cyrus Vance 
SUBJECT: US Coordinator for Mexican Affairs

In our exchange during and since your visit with Lopez Portillo last month, you agreed to the appointment of an Ambassador-at-Large as US Coordinator for Mexican Affairs, who would also serve as Executive Director of the upgraded Consultative Mechanism. We have also discussed Pat Lucey for this assignment, and I now recommend your preliminary approval of his nomination subject to the usual clearances.

Governor Lucey has established, as you know, very good and close working relations with Portillo and Roel and other key cabinet members, all of whom spoke to us about their high regard for Pat when we were in Mexico. Obviously this would be a prime asset for effective performance as Coordinator. He has other essential qualifications: our personal confidence and support; and the experience as a former governor to work well with the border state governors whose involvement with Mexican affairs is bound to grow. We will find an experienced deputy who could assist him with inter-agency relations. I do not think we could find a better candidate. Pat is willing to undertake the job.

Approve 

Disapprove 

Jim McIntyre and I have spoken about the need to obtain early inter-agency clearance for the draft charter of the Coordinator assignment, which you approved as

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an attachment to my memo of March 2 (which parallels the directive you signed for Dick Clark's role as Coordinator for Refugee Affairs).

To replace Pat as Ambassador to Mexico, we have two strong, Spanish-speaking, Career Minister candidates, whose bios are attached:

1) Jack B. Kubisch, now at the National Defense University; Ambassador to Greece until last year; Assistant Secretary for Inter-American Affairs (1973-74); and DCM in Mexico City (1969-71); and

2) Donald B. Easum, Ambassador to Nigeria; Assistant Secretary for African Affairs (1974-75); and Director of the NSC Interdepartmental Group for Latin America (1969-71).

Kubish's Mexican experience would be an obvious advantage, and we think he would be slightly more effective than Easum with the American community in Mexico. In addition, Tim Kraft has suggested that we have Congressman Krueger's name submitted to Reuben Askew's Advisory Panel as another possible candidate.

ok → I think you should defer a decision on the Mexico City assignment until early next month to allow consultations with Hispanic-American leaders, and to obtain non-career ambassadorial recommendations from Reuben's Panel which will be meeting on March 31.

Attachments: Biographic information on
Jack B. Kubisch and Donald B. Easum

CANDIDATE FOR MEXICO

NAME: Jack B. KUBISCH

AGE: 57

AREAS OF EXPERIENCE: Latin America, Europe, South Asia

COUNTRIES OF EXPERIENCE: Brazil, Sri Lanka, Mexico, France,
Greece

RANK: Foreign Service Officer - Career Minister

FOREIGN LANGUAGES: French, Portugese, Spanish

EDUCATION: AB, University of Missouri, 1942
nd, Harvard Graduate School of Business, 1946

PROFESSIONAL EXPERIENCE:

1977 - present	Vice President, National Defense University
1974 - 1977	Ambassador to Greece
1973 - 1974	Assistant Secretary for Inter-American Affairs and U.S. Coordinator for the Alliance for Progress
1971 - 1973	Deputy Chief of Mission, Paris
1969 - 1971	Deputy Chief of Mission, Mexico City
1965 - 1969	Director, Office of Brazilian Affairs
1964 - 1965	AID Director, Rio de Janeiro
1963 - 1964	Consul General, Rio de Janeiro
1962 - 1963	AID Director, Rio de Janeiro
1961 - 1962	AID Deputy Director, Colombo
1950 - 1961	Private Business
1949 - 1950	Economic Cooperation Administration, Assistant Economic Commissioner, Paris
1947 - 1949	General Services Officer, Rio de Janeiro
1942 - 1945	Lieutenant, United States Navy

CANDIDATE FOR MEXICO

NAME: Donald B. EASUM

AGE: 55

AREAS OF EXPERIENCE: Latin America, Far East, Africa

COUNTRIES OF EXPERIENCE: Argentina, Nicaragua, Indonesia,
Senegal, Niger, Upper Volta, Nigeria

RANK: Foreign Service Officer - Career Minister

FOREIGN LANGUAGES: French, Spanish

EDUCATION: BA, University of Wisconsin, 1947
MPA, Princeton University, 1950
MA, Princeton University, 1950
PhD, Princeton University, 1953

PROFESSIONAL EXPERIENCE:

1975 - present	Ambassador to Nigeria
1974 - 1975	Assistant Secretary for African Affairs
1971 - 1974	Ambassador to Upper Volta
1969 - 1971	Director, NSC Interdepartmental Group Staff, Inter-American Affairs
1968 - 1969	Senior Seminar in Foreign Policy
1966 - 1968	Deputy Chief of Mission, Niamey
1963 - 1966	Political Officer, Dakar (also for Gambia and Portugese Guinea)
1962 - 1963	Executive Secretary, Agency for International Development
1961 - 1962	Deputy Executive Secretary, International Cooperation Administration
1959 - 1961	Foreign Affairs Officer, Department
1957 - 1959	Consular/Economic Officer, Djakarta
1955 - 1957	Economic/Labor Officer, Managua
1953 - 1955	Department
1951 - 1952	Research Scholar, Buenos Aires
1950 - 1951	Fulbright Scholar, University of London
1949	Newspaper reporter
1947 - 1948	Teacher
1942 - 1946	United States Army Air Force

THE WHITE HOUSE
WASHINGTON

MR. PRESIDENT --

This memorandum was just delivered to my office.

I have not had a chance to study the options proposed in the memorandum, but wanted you to have it before the 2:30 meeting.

Stu Eizenstat

1:15 p.m.
23 Mar 79

C
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MEMORANDUM FOR THE PRESIDENT

FROM: Cyrus Vance
W. Michael Blumenthal
James Schlesinger
Juanita Kreps
Henry Owen

Subject: Oil price decontrol

Our consultations with Congress indicate that making oil price decontrol contingent on enactment of tax measures is not workable.

This leaves us with only two broad options:

1. Phasing out controls by no later than October 1981, regardless of congressional action, and challenging the Congress to enact a tax on excess producer profits, with the proceeds used to encourage energy development and to cushion the impact of rising energy prices on those most vulnerable;

or

2. Partially decontrolling, without proposing tax measures or setting a date for complete decontrol, and looking toward extending controls authority past 1981 with new legislation.

We strongly urge you to adopt the first of these alternatives. The controls system is seriously aggravating our energy problems. We should phase it out in an orderly but decisive fashion.

Making decontrol contingent on tax measures would not work

By making decontrol contingent on tax measures, we would achieve neither decontrol nor the tax measures: both liberals and conservatives would have strong reasons to resist the legislation. We would merely create a prolonged and embarrassing congressional stalemate on energy policy -- a replay of the last two years of debate on COET. This would aggravate regional and ideological divisions in the country. Meanwhile, oil prices would be rising anyway, because of world market forces. You would be blamed for both the stalemate and the price increases.

While Congress deliberated, our domestic oil policy would be locked in uncertainty. This would have very negative implications for the dollar and for U.S. energy production, consumption, imports and investment.

It would also impede us from holding down OPEC prices or exerting leadership among the consuming nations.

Most importantly, the approach would be seen as an abdication of Presidential leadership. The 1974 controls legislation (enacted by a Democratic Congress) vested full pricing authority in the Executive after June 1, 1979 precisely because it was clear to all factions that Congress lacks the political ability to address this matter coherently. Our experience with the COET bill confirms this. To return the decision now to the Congress, during a world oil crisis, would be seen as an evasion of Executive responsibility.

Partial decontrol would be inadequate

The partial decontrol option, which involves extending controls beyond 1981, is inadequate both on the merits and politically and would be widely perceived as such:

- . It would not help in persuading the country that the energy crisis is a real and serious matter. Maintaining price controls on oil is plainly inconsistent with a crisis need to cut oil imports and consumption and to maximize production. Your ability to lead on the energy issue would accordingly be damaged.
- . It would further complicate the controls system and would create a widening gap between domestic and world prices. The continuation for years of bureaucratic uncertainties over domestic oil prices would prevent our businesses and citizens from adapting efficiently to a world of rising oil prices. We might be assuring a major economic shock in 1981, when Congress might well refuse to extend the controls system.
- . By holding down market prices, partial decontrol would force us progressively into using the alternative of budget subsidies and tax credits to promote energy development -- a wasteful and inflationary approach.

- . Staying with domestic controls would invite OPEC nations and speculators to push up world oil prices (thereby offsetting in large measure the price limiting effects of controls).
- . We would be violating both the letter and spirit of your Bonn Summit commitment, and we would lose our leadership role in the IEA. This course would undermine the credibility of our economic and security policies generally in Europe, Japan, and the Middle East.
- . We would risk speculative attacks on the dollar and endanger the November 1 program to defend our currency's value.
- . We would forfeit any possibility of enacting fair tax measures.

x x x x x

In our judgment, you should make clear in the March 29 speech that you will complete decontrol by October 1981, at the latest, and that a major decontrol step will be taken at the first opportunity, i.e. June 1, 1979.

You would explain this decision as necessary to reduce the increasingly dangerous dependence of the U.S. economy on foreign oil supplies.

At the same time, you would challenge the Congress to enact a tax on excess oil producer profits and to apply the proceeds to enhance U.S. energy development and to cushion the impact of higher prices on particularly vulnerable citizens.

This approach, presented with force and simplicity, would exert bold leadership and would be in our best economic, national security, and energy policy interest.

2:30 PM

Q

THE WHITE HOUSE

WASHINGTON

March 23, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
FRANK MOORE
SUBJECT: My Meetings with Some of the Members of Congress

Attached is a summary of some of the consultations I have had with Members of Congress the past two weeks. I think you may want to read this prior to our 2:30 meeting today.

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SUMMARY OF CONGRESSIONAL CONSULTATIONS ON OIL PRICING

1. Senator Bentsen

Phased decontrol starting with new oil, phasing old oil out, do deepstripper and tertiary recovery. Opposes a windfall tax but could live with a world price cap.

2. Senator Boren

Says industry could tolerate something less than full decontrol. He suggests "modified world price level" to shield against untoward OPEC increases (OPEC price initially but increasing to no more than annual increase in cost production per year - 11.4%)

- Bring upper tier to modified world price level
- Keep lower tier oil under controls
- Adopt Wright and Bentsen amendments on deepstripper wells and enhanced recovery methods, bringing these to world prices
- A windfall profits tax if necessary

3. Senator Domenici

- Decontrol by September 1981. We should pay our companies same to produce oil as we pay to import oil
- Would support windfall profits tax

4. Senator Durkin

Decontrol hurts New England. Would oppose unless there are specific steps to help Northeast.

5. Senator Jackson

Concerned about decontrol. He wants to be certain it is worth it in terms of increased supply and conservation.

6. Senator Johnston

- Take to world prices oil found in stripper wells (expanded definition) and enhanced recovery techniques. We should insist that to get the world price you need to produce more. This is better than phased decontrol.

- Take new/new to world prices
- Do not decontrol old and upper tier but bring to February 1976 real dollar prices. Decide in 1981 whether to take upper tier to 1981, depending on price and circumstances.
- Could live with cap on world prices

7. Senator Kennedy

Will oppose any decontrol phased or immediate.

8. Senator Reagle

Opposes decontrol and will not have that much supply or conservative responses.

9. Senator Byrd

Supports phased decontrol ending in 1981. Would support an excess profits tax - a portion of which would go to the poor and the rest to energy research.

10. Senator Wendell Ford

Favors decontrol with an excess profit tax to be used for energy research. Strongly stresses, as does Senator Byrd, the need for you to excite the public with the possibility in energy technology.

11. Senator Church

Opposes decontrol. Could support partial decontrol as in Option 3.

12. Senator Bumpers

Opposes decontrol. Could support partial decontrol as in Option 3.

13. Senator Long

He strongly opposes a tax as a precondition to de-regulate and did not indicate he personally would support any kind of a tax but merely that he thought one could pass.

SUMMARY OF CONGRESSIONAL CONSULTATIONS ON OIL PRICING

1. Congressman Ashley

Could support either phased decontrol by 1981 or option 3. If had to choose would take option 3 since it is more targetted to production and will be more acceptable to Democratic party stalwarts.

Then at a breakfast with Blumenthal, Schlesinger, and me after the above conversation he switched to phased decontrol since option 3 was too complicated.

2. Congressman Bolling

Need some increases in price but must protect the poor by subsidies to help pay their bills.

3. Congressman Brown

Administration has been delinquent in not acting sooner. Need decontrol on rapid schedule -- suggests API program for phase out by 1981. Skeptical that the Administration will do anything. Will lead a legislative fight for decontrol if necessary. Expects many Republicans to follow.

4. Congressman Conable

Phased decontrol through 1981 is reasonable. Prices will have to go up eventually. He will support a windfall profits tax but doubts you could ever get one effective or reasonable tax through the Senate.

5. Congressman Dingell

Recommends gradual decontrol by 1981. Believes it would be bold and the President should bite the bullet now rather than waiting. Recommend a tax to help out with politics but do not count on enactment of a tax. If any tax receipts were used for social security it would improve the chances of enacting the tax, but even so it's unlikely to be passed.

Concerned about the national security implications of a swap. If very carefully constructed to ensure that we would not have to sell to Japan if Mexican oil were cut off, he would consider it. Very hard to get through Congress. Do not try to do it in a speech.

Recommended numerous changes to the Clean Air Act to facilitate use of coal, diesels, substitutes for lead in gasoline, and waivers for high sulfur oil. Also suggested looking at ICC backhaul requirements to eliminate empty trips. Should push hard on mandatory conservation requirements for buildings, industries, etc.

6. Congressman Seiberling

Opposes decontrol.

7. Congressman Sharp

Recognizes that prices have to go up, and the need for incentives. Somewhat uncomfortable with a 1981 date, but given the need to extend EPCA could live with it. Could also support a more gradual decontrol program. Is concerned about showing credible numbers on supply response, and concerned about the image that the oil companies are getting away with murder. Suggests that speech mention strong federal enforcement of the oil price regulations, and vigorous prosecution of the so-called daisy chain violations. Feels that proposing a tax would help politically, but little confidence about Congressional enactment of a meaningful tax. Senses that it would be helpful for the Presidential program to do enough to keep the pricing issue out of Congress -- wants to avoid a major debate on the issue.

Strongly recommends that swaps not be mentioned in a speech.

8. Congressman Staggers

If you decontrol administratively it will create a big hullabaloo since most of the public believes that any shortages which do exist are the result of a plot by big oil. He has historically been against decontrol and will continue that position. Also mentioned SRC II which he believes we should fund now as part of a crash package on coal gasification.

9. Congressman Ullman

Administration should phase out controls by 1981. Make

early regulatory changes to encourage stripper and tertiary production. The public already expects energy prices to go up, so decontrol won't hurt the anti-inflation fight that much. A tax will help on the politics. An excise tax will die, probably even in the House. An arbitrage tax could probably get through Ways and Means, and the House, but is not likely to survive the Senate. Difficulties in determining what to do with revenues, but do not tie it to a refund proposal. Social security use of the revenues would be hard because oil producers will fight it and probably succeed in killing it. More is needed beyond decontrol. Should have \$3 oil shale tax credit, bigger push on coal liquefaction, and program for gasahol.

The economics of swaps look good, and with a major selling job, Congress might go along though the prior history of legislation in this area suggests serious problems.

10. Congressman Wirth

Would like to see controls phased out by 1981, but would also favor letting all oil move to a capped world price (\$14.50-\$15.00) so that we were not held hostage to OPEC. Would recommend an arbitrage or OPEC tax for new new oil, and anything we did not decide to cap. Tax rate should be 90% and the proceeds used for Social Security.

Generally favorable on swaps but do not try in speech.

Numerous conservation suggestions, including a corporate push for vanpooling (he mentioned a successful program 3-M and Coors have run in Denver), amend the tax code to exempt mass transit tokens or funds provided by employers to employees from taxable income, work with state patrol associations and governors on 55 mph speed limit, longer term program with GSA to improve federal energy conservation.

THE WHITE HOUSE
WASHINGTON

MARCH 22, 1979

MR. PRESIDENT

JUDGE BELL NEEDS TEN MINUTES
ON FRIDAY TO GO OVER SOME
MORE JUDGESHIPS.

I SUGGEST 10:00 A.M.

APPROVE ✓ DISAPPROVE

J
FRAN

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C
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March 22, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LEG*

Subject: Consumer Prices in February

Tomorrow (Friday, March 23) at 9:00 a. m., the Bureau of Labor Statistics will release the estimate of the change in consumer prices in February. As we feared, the news is grim indeed.

The total of all items in the CPI went up 1.2 percent in February -- an annual rate of increase of 15.0 percent, the largest increase since September 1974. Food prices rose 1.6 percent; prices of energy items increased 1.5 percent, and homeownership costs rose 1.8 percent.

There are a few areas in which price increases were moderate in February. Apparel prices rose just 0.3 percent (competition at department stores is still very active). Medical care costs rose 0.6 percent, compared with a 1.1 percent increase in January. Generally speaking, however, consumer price increases in February were large and widespread.

Within the food area, the biggest increases were in meats. Beef and veal prices rose 6.9 percent, poultry prices 2.5 percent, and pork prices 1.6 percent. However, prices of lettuce and tomatoes, which had risen sharply in recent months, declined in February.

The rise in homeownership costs reflects a combination of factors: rising home purchase prices, a sharp increase in mortgage interest rates, and increasing property insurance rates. The increase in mortgage interest rates reflects a relaxation of usury ceilings in New York and California.

In the energy category, fuel oil rose by 3.1 percent and gasoline by 2.0 percent.

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The increases in prices of food and nonfood commodities at the consumer level last month closely parallel developments in the producer price index. In February, prices of finished consumer foods at wholesale went up 1.6 percent, and the same percentage increase occurred in the food component of the CPI. Similarly, prices of consumer nonfood commodities at both wholesale and retail rose at an annual rate of around 11-1/2 to 12 percent.

These February consumer price changes, therefore, basically represent the passthrough to consumers of increases in producers prices, plus the sharp increases in homeownership costs. Homeownership costs tend to be volatile on a monthly basis, and large increases may not continue. But for other consumer goods and services, we will face more bad news in the months ahead unless businesses are brought into fuller compliance with the price standards.

12:20 PM

THE WHITE HOUSE

WASHINGTON

March 22, 1979

MEETING WITH KENNY ROGERS

Friday, March 23, 1979

12:20 p.m. (3 minutes)

The Oval Office

From: Tom Beard

GB

I. PURPOSE

Photo opportunity.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: Kenny Rogers is in Washington for a sold-out concert at the Capitol Center. For many years, Rogers has been one of the top performers in the United States. He has been very active in many charitable causes (especially the Special Olympics) and had to perform for a function of Mrs. Carter's choice while he was in Washington. We were unable to work out a performance at this time but will be calling on him in the future.

B. Participants: Kenny Rogers, (Mrs.) Mari Anne Rogers, Rachel Weingarten, Catherine Worthington, Ken Kragen (Roger's manager -- very active politically).

C. Press Plan: White House photographer

III. TALKING POINTS

Thank Rogers for his offer to perform during this visit to Washington. Let him know that we hope to invite him for some future function.

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12:30 PM

THE WHITE HOUSE

WASHINGTON

March 22, 1979

MEETING WITH OPINION LEADERS AND ACTIVISTS FROM
MASSACHUSETTS

Friday, March 23, 1979
12:30 P.M. (20 minutes)
Room 450, OEOB

From: Tim Kraft *TK*

I. PURPOSE

To promote among these Massachusetts activists a sense of identity with you and your Administration, a sense of a team working together, and a sense of urgency about actively supporting the Administration across the board.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: This is the eighth in a series of meetings for political leaders and activists from the states. Our first was in August of 1978.

B. Participants: State and local officials, labor leaders, party activists, business leaders and early supporters. List is attached.

C. Press Plan: No press.

III. TALKING POINTS

A highlight of your accomplishments over the last two years and a brief emphasis on your current priorities. Other speakers will be covering the issues in more detail (as you can see by agenda). Since this group is heavily early Carter, it would be appropriate for a bit of personal reflection.

attachments:
agenda
guest list

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AGENDA

FRIDAY, MARCH 23, 1979

HOST: TIM KRAFT
Assistant to the President

10:50 A.M. ANNE WEXLER
Assistant to the President

11:30 A.M. ROBERT STRAUSS
Special Representative for Trade
Negotiations

11:45 A.M. STU EIZENSTAT
Assistant to the President for
Domestic Affairs and Policy

12:30 P.M. PRESIDENT CARTER

1:00 P.M. walk to State Floor for buffet lunch

2:00 P.M. ZBIGNIEW BRZEZINSKI
Assistant to the President for
National Security Affairs

2:30 P.M. JODY POWELL
Press Secretary to the President

Guest List for the Massachusetts State Constituents Briefing

Governor Edward King

Tommy O'Neill
Lieutenant Governor

Michael Connolly
Secretary of State

Robert Crane
State Treasurer

Ted Buczko
Auditor General

Michael Dukakis
Former Governor

Kitty Dukakis

William Hebert
Executive Director, Massachusetts
Teachers Association

Richard Maxwell
President, Massachusetts Teachers
Association

Richard Lamb
Mayor
North Adams

Anna Buckley
State Senator

Helen "Poppy" Doyle
Member, Democratic National
Committee

Bernadine Birch
early supporter

Frank Birch

Robert Wolfgang
Campaign C.D. coordinator

Thomas Sampson
Arthur Anderson; early supporter

Bill Coyne
Campaign C.D. coordinator

Helen Droney
Campaign C.D. coordinator

Paul Shone
Tsongas District Office; early
supporter

Paul May
Governor King's campaign manager

Gordon Martin
early supporter

Frank Ceccaroni
Sub-regional Director, UAW

Dusty Alward
Firefighters

Kevin Carr
early Carter

Larry Tribe
Professor, Harvard Law School

Alice Fitzgerald
early Carter

Eva Hester
Member, Democratic National
Committee; Campaign C.D.
coordinator

Kevin Leary
early Carter

Joseph Bonavita
President, State Labor Council,
AFL-CIO

Eugene McCarthy
early Carter

Leon Brathwaite
State Affirmative Action Director

Joe Beatrice
President, Bio-Bee, Inc.

Bob Coard
Executive Director, Action for Boston
Community Development

Jerry Grossman
Member, Democratic National
Committee

Thomas McIntyre
Vice President, Bricklayers
International

Dave Finnigan
Chairman, Boston School Committee;
candidate for Mayor

John Thimas
early Carter

Carol Wyett
early Carter

David Bartley
President, Holyoke Community College;
former Speaker of the House

Jack Albano
President, Labor Council of Spring-
field and Chicopee; President, ILGWU

Paul Kallill
Springfield City Councillor

Anthony Scibelli
State Representative; early Carter

John Conte
District Attorney, Worcester County

Dan Foley
Senate Majority Leader

Gerry D'Amico
Senator; former Congressional
candidate

Shirley Sidd
Brookline Treasurer

Connie Kantar
4th C. D.

Sharon Pollard
State Senator

Rick Wasnick
Lowell

Antonio Marino
Mayor
Lynn

Tim Bassett
State Representative

David Brickman
Publisher, Malden Evening News

Walter Kelliher
Attorney

William Bulger
State Senate President

Mary Fonseca
State Senate Majority Whip

William Delahunt
District Attorney

Paul Harold
State Senator

Arthur Tobin
Mayor
Quincy

Joyce London Alexander
General Counsel, Board of
Education; President, Urban
League of Eastern Massachusetts

Ray Flynn
Boston City Councillor

Earl Jackson
Attorney

Paul Porter
DNC Finance Council Executive
Committee

Robert Capeless
Attorney; former Mayor of
Pittsfield

Anita Capeless

Dennis Kearney
Sheriff, Suffolk County

Mel King
State Legislator

Newman Flanagan
District Attorney, Suffolk County

Charles Maliotis
President, Lehigh Metal Products

Betty Taymor
National Committeewoman

Nick Mitropoulos
Assistant Director, Kennedy Institute
of Politics (Harvard University)

Saundra Graham
State Representative

John Anderson
Worcester City Councillor

Bob Goldhammer
Vice President, Kidder, Peabody and
Company, Inc.

John O'Bryant
Member, Boston School Committee;
Associate Dean of Administration,
Northeastern University

Claire Buckley Dwyer
Appointments Secretary to the Governor

Charles Haar
Professor, Harvard Law School

Fran Meaney
Attorney

Bill Floyd
President, Massachusetts UAW CAP
Council

Arthur Osborn
President, International Brotherhood
of Electrical Workers, Local 1505

Lewis Armistead
Speaker O'Neill's Boston Office

Allan McKinnon
State Senator

Raymond Jordan
State Representative

Charles McDevitt
President, UAW Local 422

Bill Owens
State Senator

Al Cardarelli
Professor, Boston University

Royal Bolling
State Representative

James Young
Deputy Mayor
Boston

Theodore Dimauro
Mayor
Springfield

Michael Harrington
former Representative

Kirk O'Donnell
Counsel to the Speaker of the
U. S. House of Representatives

Anthony Ruberto
District Attorney, Berkshire
County

James Caragianes
Cambridge

Paul Goodrich

Mike Vallas

Bill Cleary
President, Massachusetts State Labor
Council, AFL-CIO

Ed Sullivan
President, SEIU

Tom Menino
Administrative Assistant to Senator
Timilty

Russ Sylva
early Carter

Jack McGrath
early Carter

Micky Ehrenfeld
early Carter

Henry Morgenthau
President, Harvard Hillel

Paul Sheehan
Cape Cod

Tom McGee
Speaker

Corinne Atkins

Walter Timilty
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Jim Marcellino
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Carol Wyett

Sissy Weinberg
Massachusetts Democratic State
Headquarters

Dennis Kanin
Administrative Assistant to
Senator Tsongas

Chris Briand
Senator Tsongas' staff

Jack Leslie
Senator Kennedy's staff

Chet Atkins
Senator; State Chairman

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LEG*

Subject: Pork Production

There is a ray of hope in a report yesterday by the USDA on the spring pig crop. It had been feared that the cold winter weather had resulted in a smaller-than-expected spring pig crop, as it did last year. In fact, the number of pigs born were 17 percent above a year earlier, and hogs on feed were 13 percent above a year ago. Moreover, producers indicated intentions to retain 20 percent more sows for breeding than last year. The news generated widespread declines in futures prices of both hogs and cattle.

We can now look forward with reasonable assurance to a substantial slowing in the rise of meat prices in the second half of the year, and we may see a moderating in the second quarter.

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THE WHITE HOUSE
WASHINGTON

Mr. President -

This is good

because it gives you
also the interruptions!

Enjoy !!

ZB.

Despite the fact that I have been interrupted from both sides, Mr President, I can also state that this house, with all the differences of opinion within it, represents our people and that it is only our people who will elect their authorized representatives. These representatives will behave in this house with all respect, and so we made this commitment to take the peace treaty in advance to the Knesset for its authorization. Only after the Knesset debates it completely and freely and votes on it will we be able to affix our signature.

I am proud of the democracy in Israel, despite the fact that it has to pay the price, as it has in the past and today as well. But here is the proof that it is possible to coordinate [as heard] democracy, that it is possible to use it and that it is possible to believe in it. And this democracy sends a greeting to the great U.S. democracy. We have stood together in various crises and we have overcome them. I fully believe that in the future, too, we will stand together. We heard statements of great importance from you today and we know how to recognize the importance. The friendship between the United States and the State of Israel is true friendship; it is in the heart of the U.S. nation; it is also in the heart of this nation. When you return to your country, Mr President, tell your nation: We have an ally in the Middle East. It maintains a life of freedom. It loves peace. It wants it with all its heart. Its elected representatives have made sacrifices and taken risks for the sake of peace, and they will be faithful to any signature that puts peace in any document. Also tell your great nation, Mr President, that it is true that you--the members of the U.S. nation--have an ally in the Middle East, a free ally but loyal and stable as only a democracy can be. In this spirit... [indistinct shouts from the hall]

[Speaker Shamir] MK 'Atshah, MK Zayyad, stop the argument. MK Zayyad, MK 'Atshah, I request you not to interrupt. MK Toubi, why are you shouting? MK Zayyad, I call you to order.

[Begin] Mr President, tell your nation that the nation of Israel and the U.S. nation--as we believe, you and I--will stand up to all tests for the sake of peace, justice and freedom. [applause]

Peres Speech

TA121313 Jerusalem Domestic Service in Hebrew 1121 GMT 12 Mar 79 TA

[Speech by Labor Party Chairman MK Shim'on Peres at special session of the Knesset convened in honor of President Carter--live]

[Test] Mr Speaker, Honorable President of the United States, Honorable President of the State of Israel, distinguished Knesset members, dear guests: It was not long ago that we read a piercing question in a book written by a U.S. politician: why not perform to the best of your ability? Today, Mr President your visit and your speech have given an impressive reply to this question.

We, for our part, welcome you in the land of our fathers, in unified Jerusalem, the eternal capital of Israel. In the words of the Book of Proverbs: "When you walk your step will not be hampered; and if you run, you will not stumble." You are now leading the largest democracy human history has ever known, a democracy which has produced prosperity and remained generous: America, which fought to help other people free themselves from oppressors and those who put shackles on them, without yielding to the temptation to conquer territories which do not belong to it or to control anyone else.

[Partially indistinct interjection about Vietnam]

It is a superpower with the ability to enforce its policy, but which prefers negotiations, even when they involve argument, by offering other nations its glorious achievements in science and technology so that they might improve their lives.

We in independent Israel deeply respect your people, the pioneering spirit that beat in your forefathers--as it did in ours--your religious and ethnic tolerance, your talent for novelty and your vision turned toward the future. We are pleased by the friendship that has continued between us since the day of Israel's revival, through the tests of the wars that we have experienced prior to this hour of peace, which is knocking today on our door.

As in the United States, so we in our country also believe that freedom is realized only in democracy and that a country should be worthy of having its strength founded on its freedom. The past decade, Mr President, has seen great self-criticism in the United States. But there is no point in concealing our respect for this effervescent demonstration of free life. We--who disagree with each other on many issues--are also united in expressing our gratefulness and appreciation for the friendship of the United States.

Mr President, as the State of Israel first opened its eyes, it heard the cannon blasts aimed at annihilating it. We have emerged victors from all those wars, even though we were destined to be their victims. We have learned to become sensitive to our physical security. Moreover, we are also the inheritors and the custodians of the memory of the Jewish holocaust--and not just of our national experience in the State of Israel. We have paid a dear and cruel price to win independence, freedom and security. We have learned that a nation which is not ready to accept sacrifices to attain its fundamental values will lose its freedom and will not achieve quiet.

The peace we seek is not intended to gain an advantage or to circumvent the independence, freedom or security of either our neighbors or ourselves, but to maintain them without bloodshed, without animosity, without sacrifices, without refugees, so that neither Arabs nor Jews nor members of other nations will be forced to live here in fear or in submission.

Wars have left the Middle East an area disrupted by suspicions and fears. We hope to rehabilitate it as a region of freedom, of stability, of cooperation and fruitful mutuality despite the diversity in faiths, beliefs, views.

We do not want to rule another nation. We only want to insure that another people will not threaten our nation. We want to reach a situation in which there will not be a single American mother worried about her son for our sake, not a single Arab mother will have fear in her heart because of us and our own mothers will be able to get up every morning....

[MK Moshe Shamir] This has never happened [that foreign mothers were disturbed because of us]. Tell the truth: the Arabs have always been the ones to attack Israel. We are a country on the defensive. Tell this truth. Why are you concealing it?

[Speaker Shamir] MK Shamir, I am warning you.

[MK Moshe Shamir] We have a right to the territory currently in our hands. It is a result of a defensive war.

[Peres] I am talking about the future, Moshe.

[MK Moshe Shamir] You have forsaken this right.

[Peres] And that our mothers will wake up every morning, feeling secure that there will be no more bereavement and tears. That is why, Mr President, I believe that the message you are taking with you will arouse a positive response in all the parts of this house. Being a democratic society, there are different views among us, but on the issue of peace, one heart beats in us. I am speaking on behalf of the Labor movement, currently in the opposition. We have not accepted all the proposals our Cabinet made at Camp David...

[MK Moshe Shamir] And yet you voted for it. What kind of opposition is this?

[Peres] But nevertheless we voted in favor of the Camp David accords.

[MK Tawfiq Toubi makes an indistinct interjection]

[Speaker Shamir] MK Toubi, I call you to order for the second time. Knesset members, quite please.

[Peres] And yet we voted in favor of the Camp David accords, because peace with errors and vagueness in its articles is preferable to no peace at all.

[MK Me'ir Wilner] Camp David is not peace.

[Speaker Shamir] MK Wilner!

[Peres] We blessed our prime minister's latest visit to Washington with good wishes and we knew that if a compromise was reached--and it is not difficult to criticize a compromise--it might open a door in the negotiations with Egypt which seemed to have been closed. We expressed admiration for the historic visit of the Egyptian president to Jerusalem and followed the millions of Egyptians--a people who know how to bear suffering with proud restraint--who crowded around to follow the dove of peace. The inhabitants of Israel and Egypt know that there is no alternative to peace.

[MK Moshe Shamir] He is misleading and is not describing reality. Let him tell the truth for once.

[Peres] Moshe, your truth is very limited: to only one man. There is no point in elaborating on it at this moment.

[Speaker Shamir] MK Shamir, I am not asking for your advice. Please sit quietly.

[Peres] The inhabitants of Israel and Egypt know that there is no alternative to peace and that a return to this animosity, which caused suffering and death to both nations, is inconceivable and that any withdrawal from peace will never be forgiven; not by the leaders or by the people themselves.

We know that the leaders of Egypt, with whom you have recently talked, are worried about the Palestinian problem which has yet to be solved. It is not only them, but us as well. Both our spiritual heritage and our national interests compel us not to ignore the rights of the Palestinians and...

[MK Moshe Shamir] What rights have the Palestinians?

[Peres] Not to disregard their fate...

[MK Moshe Shamir] What about the right of the people of Israel to Eretz Yisra'el? Remember your teachers! Remember Berl Katzenelson [labor movement theoretician and idealist]. The people of Israel have a right to the entire Eretz Yisra'el.

[Speaker Shamir] MK Biton, MK Shamir...

[MK Moshe Shamir] Say this! The pioneer labor movement is writhing in terrible pain and shame on hearing these remarks!

[Peres] MK Moshe Shamir, in all sincerity: Does the Palestinian have no right? What is there to be ashamed of in saying this? Is he not a human being?

[Indistinct interjections, mentioning Eretz Yisra'el]

[Peres] And not ignore the fate of the refugees in the new immigrants' camp. For we have absorbed 600,000 Jews... [as heard]

[MK Moshe Shamir] Why don't you propose this to Iraq, to Saudi Arabia? Let them give some thought to the Palestinians. They have caused it, this great tragedy. Do we have to pay for this?

[Peres] We are hoping that this peace will be peace with all the Arabs...

[MK Zayyad] [Words indistinct] the mu'ezzin cannot hear him.

[Speaker Shamir] MK Zayyad, I have called you to order once. I am warning you. I am asking you to sit quietly. You will not teach democracy to anyone here.

[Peres] We are striving toward a peace with all the Arabs, including the Palestinians, peace that will bring to them and to us calm, a chance for national expression and self rule; not half peace but, rather, a comprehensive, full peace. In Egypt we have discovered a major partner in solving the disputed issues. For our part, we have made far-reaching concessions to them, including the concession of an area in the Sinai which we feel is very much needed for the defense of our country--all this in order to move toward Egypt's demands.

On the other hand, we have been convinced that the PLO is an organization that has written a manifesto of animosity and even wants to realize it to annihilate Israel.

[MK Uri Avneri] Are you prepared to negotiate with it if it recognizes Israel?

[Peres] MK Avneri, you have toiled over this for many years to no avail. Why do you have to ask me this question? This is an organization which believes that terrorism, not compromise is the strategy of decision. It is a body divided into armed factions...

[MK Zayyad] You do not want to recognize the right of the Arab Palestinian people and hide behind such talk. And you will still sit down with the PLO...

[Speaker Shamir] MK Zayyad, I am warning you.

[MK Wilner] MK Peres, do you not know, it is a fact....

[Speaker Shamir] You do not have permission to speak, you do not have permission to speak.

[MK Wilner] I want to ask a question. MK Peres agreed that I ask...

[Peres] No, I did not agree. You are for a regime where only answers, not questions are possible.

[MK Wilner] If the State of Israel agrees to an independent Palestinian state in the West Bank and the Gaza Strip, the PLO will recognize the State of Israel. Peres knows this.

[Peres] I did not hear that you are the PLO's representative in this house. This is an organization divided into armed groups whose guns are unsheathed and are competing with each other over rejecting moderation and over solidarity and identification with any grim reaction prevailing in our region. These groups are in contact with a large power that could offer welfare to the residents of the region, but has chosen to contribute tools of destruction for the purpose of destruction. We are addressing our Palestinian neighbors with the words of a wise rabbi and saying that the question we are facing is not whether to be or not to be. We all want to be. The essence of the question is how to live and how not to live. We are then looking for an appropriate partner and a fair solution in order also to reach good understanding with the Palestinians, understanding that will answer two needs: Their aspirations to their own rule as part of the Arab world and our need to defend our country.

The Labor Party has supported and will support a full and fair dialog with Palestinian leaders that will recognize the State of Israel, that will reveal readiness to conduct negotiations on a permanent peace, that will understand that mutual compromise is needed here for the achievement of a just solution. For over 10 years we and over a million Palestinians have lived here side by side. We know they do not want us to rule them. They should also know that we do not want to rule them either. We have learned to appreciate their national uniqueness and I hope they have learned to appreciate our democracy. We want to discuss with them a new future, good neighborhood and security for both them and us. They have the right to participate in determining their own future on condition, of course, that this determination does not disrupt...

[Indistinct interruption]

[Peres] ...not with guns and not with terrorism, on condition that this determination will not disrupt our own future. Just as we admit that their demand for national identity is just, so must they admit that it is not only they who have absolute justice in the region. Our right also exists. We in the Labor Party believe that it is possible to solve this double problem within a Jordanian-Palestinian framework, a framework that will apply to the Jordan's [east] bank, the original half of Eretz Yisra'el and also to the residents of the West Bank who are Jordan's citizens to this very day.

Knesset members, in the past we met with Jordan's leaders. These meetings did not bear the fruit of a signed treaty indeed, but they were not fruitless either. Overt and covert seeds of peace were sown then. The long border dividing us has usually been calm. Bridges are spanning the Jordan and there, to and fro, people, books and products are moving.

[Moshe Shamir] Do not forget the explosives.

[Peres] When Jordan's independence was threatened we did not remain indifferent, and when danger threatened us from Jordan we reacted quickly, but we were also quick to turn over a new leaf. It will be tragic if the present reservation of the Jordanian king about the peace moves turn into a permanent refusal and if, in the wake of this refusal, a third, additional state is established between us. This state will, of necessity, be pervaded with bitterness and uprising and dreaming of conquests both in Jordan and Israel...

[MK Avneri] Why of necessity, why of necessity? Let them have peace, let them have freedom...

[MK Wilner] Let them have stability, security...

[Peres] I admit that my truth is not PRAVDA.... This state will be connected with a superpower that is seeking a foothold for itself, not salvation for others. King Husayn made a declaration about the vitality of peace and his desire for peace. Peace cannot be dictated, but can be missed. If the moves toward peace do not seem right to him he should try to influence them by his participation and not by ignoring the very opportunity. We, Mr President, do not aspire to expand. We aspire to security and independence. The long history of our people is filled with inconceivable suffering. It needs a geographical basis, limited but solid, that does not threaten a man. We cannot return to the 1967 borders because of what happened then and what happened in 1973.

[MK Shamir] Your policy is returning us to the 1947 borders.

[Peres] We need defensible borders, not for ruling the Palestinians but for forestalling and staving off an unexpected storm. It is not the size of the area but its ability to provide us security that is the important and decisive element. In other words, we need the area in order to be able to mobilize our army of citizens for self-defense if the skies of the region suddenly grow dark. It is for this reason, for example, that we populated a narrow strip that had not been populated previously along the Jordan Valley.

[MK Me'ir Pa'il] And you have made a first-rate mistake.

[MK Shamir] You voted for the evacuation of settlements. You will never be forgiven for this. You voted for the evacuation of the settlements that you yourselves set up. You will never be forgiven for this.

[MK Avneri] All of them will be dismantled, all of them.

[Peres] The settlements there, Mr President fulfill the same duty as the ships in the navy of your country, front positions in a stormy sea. The movement I am today honored to represent adheres to a vision of a pioneering, egalitarian, laboring, independent and peace-seeking society.

It has several unprecedented masterpieces to show for itself, all proclaiming the liberty of man and the equality of rights, in the kibbutzim, moshavim, large working communities and development towns. In all these we have carved certain forms of living that may be a good and beneficial example for other interested peoples, especially for those who are still in early stages of development and seek redemption from the ills of the process of their creation. This movement, Mr Speaker of the Knesset and Knesset Members, welcomes the daring visit of the U.S. President. It believes that peace is within reach. Although we are in the opposition and precisely because of being a Labor Movement, we shall courageously support the completion of the peace process that will offer a fair solution to all that are involved in it.

Your feet, Mr President, are standing today on the region of an ancient civilization. These mountains knew the peaks of prophecy as well as the depths of enmity. The enmity should now clear the way for the entrance of peace. We believe that the arid deserts today separating Jews and Arabs can yield to plants and the flow of water, be revived as cultivated fields and connect good neighbors with mutual fertilization and enrichment. We pray that the dangers threatening the region will be replaced by peace and by uncovering new springs of youthful energy and creativity, until all of us, Arabs, Druze, Jews and other peoples, are able to bequeath to our sons after us the beautiful chances of the Middle East: security instead of suspicion, moderation instead of fanaticism, wisdom instead of temperament, and creation instead of destruction.

There is room in this region both for those who are similar and for those who differ in their religion, faith, culture, tongue, tradition and future hopes. They need not give up their uniqueness in order to gain a portion of security and peaceful existence. There is room here for development and improvement, without fear or terror, of the best achievements brought by each group as the tidings of its own specific culture. This is a historic opportunity and let none of us miss it. Do not let the hour drop from our grasp. Each of us should do his best and more in order that the peace mission, Mr President, succeeds and bears fruit.

[MK Shamir] This is not a peace mission. This is a desertion of the State of Israel.
[sound of applause]

[Knesset speaker] Thanks to MK Peres.

PRESIDENT CARTER'S VISIT, RELATED ACTIVITIES REPORTED

Ben-Me'ir on Committee Meeting

TA121430 Tel Aviv IDF Radio in Hebrew 1319 GMT 12 Mar 79 TA

[MK Yehuda Ben-Me'ir, MAFDAL, interviewed after meeting of the Knesset Foreign Affairs and Security Committee]

[Text] [IDF commentator, not identified] A few minutes ago a meeting of the Knesset Foreign Affairs and Security Committee ended here in the Knesset building. President Carter refused to speak with the journalists when he left, but when a journalist asked him, shouting from a distance, whether he plans to leave Israel now, he said: I do not know yet. Now MK Yehuda Ben-Me'ir, the chairman of the MAFDAL Knesset faction and member of the Foreign Affairs and Security Committee, is here to discuss the meeting.

[Ben-Me'ir] It was a very interesting meeting. Several members of the committee spoke: MK Allon, I myself, MK 'Amit and Halevi and, of course, the chairman. We presented our positions. I presented our position to him, both on our right to Judaea and on the negotiating process. At the end the President gave a very moving speech. He presented his position, the U.S. Government position. He explained his hopes for the treaty, told us several things that As-Sadat had told him and related his feelings that it was certainly possible to come to genuine peace despite all the difficulties.

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THE WHITE HOUSE

WASHINGTON

March 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*
SUBJECT: MEETING ON OIL PRICING

Secretaries Schlesinger and Blumenthal, Jim McIntyre, Stu Eizenstat, representatives from Kahn and Schultze's offices and I met with Senators Byrd, Durkin, Long, Bentsen, Ford, Bumpers and Church today on oil pricing. This was an excellent cross section of Democratic Senators including some from New England, the West, and producing states.

The 1 hour 15 minute discussion that ensued was predictable with the Senators pushing their local concerns and giving free political advice with no suggestions on how to solve the problems. There was some consensus, however. The main consensus was that we could get no energy tax passed if decontrol is contingent on adoption of the tax. Bentsen, Byrd and Ford seemed to feel we should phase in decontrol administratively coupled with a request that Congress subsequently put on a tax if the oil companies make unconscionable profits. The only other agreements that came out were (1) that your announcements should mention efforts to increase production of gasohol possibly by passing a law for oil companies to mix the gasohol with gasoline at the refinery level; (2) support for the North Slope-Japan-Mexico oil swaps; and (3) the need to increase funding for coal research. There was also widespread, if not unanimous, opposition to any type of gas rationing.

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Following are comments by the Senators:

BYRD: Favors funding for energy R & D either out of tax rebates or general revenues. Also, vigorously pushes for more coal research and SRC I and II, funding for which he says he will put back in the budget. He wants us to reduce the regulatory nightmares which impede coal production and increase funding for research for all fossil energy sources. He would not favor decontrol contingent on Congress passing a tax.

LONG: Says he has gotten a bad reaction to a pass-the-tax first plan. It will not work; count him out. Feels it will fail for the same reason COET failed. He will not waste his time with it. You can write it on the wall that you will never get it through Congress.

FORD: Says emotions at this time dictate that the public will perceive anything you do as making the oil companies richer. In anything we do, we must assure the public that the "Seven Sisters" are not ripping off the consumer. Feels that mostly what we are talking about is drilling for more crude oil and encourages a North American alliance, (United States, Mexico and Canada) to do so.

BENTSEN: Favors the actions that will get more domestic production and strengthen the dollar. He says that he would not favor complete and total decontrol and that total decontrol of oil does not provide that much more production. Bentsen is essentially for Stu's proposal.

LONG: (continued) Going to do what we are going to do; quit joining demagogues; domestic production is way out of line. Situation is worse than when the President came into office; all of us are up for re-election and will be blamed and get beat.

CHURCH: Says it is a dilemma--that if the President goes on TV he will be blamed for prices which are going up anyway; may drive the last nail into the coffin of the Carter administration.

BUMPERS: Said decontrol will not get greater supply; against anything except possibly gradual phase decontrol of the type that would guarantee more production.

Bumpers, Church, and others, felt Mexican swap could be explained and American people are educatable on it and President should try because this would increase production from North Slope and help the balance of payments.

THE WHITE HOUSE
WASHINGTON

3/23/79

Mr. President:

Jerry and Jody would like to do a Q & A session with you tomorrow before you depart for Elk City. If you agree I suggest at 3:15 pm before your 3:50 pm departure.

_____ approve _____ disapprove

Phil

*Why not
en route?
J*

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